

STATE OF COLORADO

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COLORADO



DEPARTMENT OF
NATURAL
RESOURCES

Memorandum

To: Senator Gail Schwartz
From: Mike King
Date: January 24, 2013
Re: DNR Decision Items

John W. Hickenlooper
Governor

Mike King
Executive Director

Thank you for the opportunity to come talk with the Senate Agriculture, Natural Resources, and Energy Committee yesterday as part of our SMART Act Hearing. Below I briefly discuss decision items that you may want to address in your recommendations to the Joint Budget Committee:

R-1 Additional Staff for OGCC (\$571,702 CF and 5.0 FTE for OGCC) – To address the workload associated with continued growth in the number of active oil and gas wells operating in Colorado, the Oil and Gas Conservation Commission is seeking five additional FTE, including three field inspectors, one environmental protection specialist, and one professional engineer (including 4 vehicles and other associated costs).

R-2 Minerals Field Coordinator (\$82,382 CF and 1.0 FTE) – This decision item will allow the State Land Board to address the workload associated with the significant increase in oil and gas leasing on State Trust Lands. Workload includes both designing new lease offerings and managing existing leases (including monitoring special lease stipulations to protect the surface value of SLB surface holdings). The new Minerals Field Coordinator will also assist in preparation of comprehensive mineral development plans.

R-3 Line Item Consolidation (no funding required) – This request would reduce the Division of Water Resources' Long Bill appropriation from current 12 line items to 8 line items, giving DWR significant flexibility to address unexpected and changing expenses, such as increases in mileage costs. Transparency will be ensured through budget tracking in the new COFRS system which will, for example, allow the Division to report on spending on the Dam Safety program (as an example of something that is currently not its own line item). Additional transparency and accountability will occur under the SMART Act performance reporting.

R-4 Satellite Monitoring System (\$100,000 CF) – The Division of Water Resources is asking for \$100,000 of additional cash spending authority, from voluntary cash fees paid by cooperating

agencies with an interest in specific DWR stream gauges. Funding will be used to meet increasing operational expenses associated with a growing number of DWR operated stream gauges.

R-5 Reappropriation of Severance Tax for E-Permitting System (net zero transfer of funding from one line item to another) – On a one-time basis in FY 2013-14, the Division of Reclamation, Mining, and Safety would like to redirect \$100,000 that is normally used for safeguarding abandoned mine sites to complete an e-permitting system in the Minerals Program. Currently, only paper copies of mining permit applications, revisions, and annual reports may be submitted. The new system will be more efficient for both the Division (in the form of less data entry and less data entry errors) and for industry (immediate feedback on missing fields will eliminate delays in permit processing). The loss of this funding will not appreciably change the pace of addressing mine site safeguarding due to the availability of significant federal funding for this purpose.

R-7 Strategic Business Initiatives (\$399,881 and 2.0 FTE) – Provide funding and staff for the State Land Board to develop and expand new lines of business such as ecosystem services, recreational leasing, renewable energy leasing, and solid mineral development. This decision item is part of an effort to grow the State Land Board's revenues and to diversify its revenue stream to better insure reasonable and consistent income over time.

Of all of the above items, addressing decision item R-3 (the Division of Water Resources line item consolidation) may be the most important. This decision item was submitted last year and narrowly missed being approved by the Joint Budget Committee. If the Senate Agriculture, Natural Resources, and Energy Committee were to support this decision item specifically, it might provide that extra push needed to gain Joint Budget Committee approval.

Thank you again for your time and consideration. If the Department can answer any additional questions about these decision items or other budget issues, please do not hesitate to contact me.



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